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|  | **MR2100**  **Chapter 17 – Advertising** | |
|  | **Learning Objectives:** |  |
|  | *Upon completion of this unit the learner should be able to:*   1. Define Advertising 2. Explain the difference between product advertising and institutional advertising. 3. Understand the steps used to develop, execute and evaluate an advertising program. 4. Discuss the advantages of alternative advertising mediums. 5. Discuss & describe the various kinds of sales promotions 6. Recognize the importance of public relations. |  |
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Mix - Continued -    Advertising is....

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| **Advertising is....** |
| Advertising is one key element of the promotional mix that was discussed in a previous section.  ***Advertising*** is defined as any direct **paid** form of **mass communication** about a product or service or idea by some **identified sponsor**. |

MR2100 Marketing II - Unit 10.  Promotion Element of the Marketing Mix - Continued -    Types of Advertisements

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| **Types of Advertisements** |
| Advertisements come in two types:   |  |  | | --- | --- | | ***Product Advertisements*** | Advertises a product directly:   * **Pioneering Ads** - provides information on a new product such as what it is, what it can do and where to buy it. * **Competitive Ads** - persuades a customer to buy the advertised product rather than the competitive product.  Used in the growth and maturity part of the product's life cycle. * **Reminder Ads** - used to reinforce previous knowledge of the product.  The primary purpose of this is to convince people who have bought the product that they have made a good choice.  Used in the maturity stage of the product life cycle. | | ***Institutional Advertisements*** | Advertises a company, designed to build goodwill and/or image.   * **Advocacy Ads** - advocates a corporate position, political or otherwise * **Pioneering Ads** - provides information on a new or unknown company to the public * **Competitive Ads** - persuades a customer to buy one company's products over those of a competitive company. * **Reminder Ads** - used to reinforce a previous knowledge of the company |   **Advertising Design**  Advertising is designed in one of two ways:   |  |  | | --- | --- | |  | **Direct Response Advertising** - Designed to elicit an immediate response by the customer.  e.g. including a statement like "Call Now ...." or "Don't Delay...." | |  | **Delayed Response Advertising** - Designed to make the customer aware of the product so that when they do eventually buy, they consider that advertised product. | |

MR2100 Marketing II - Unit 10.  Promotion Element of the Marketing Mix - Continued -    Developing an Advertising Program -  Stage 1

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| **Developing an Advertising Program -  Stage 1** |
| The three stages in developing an advertised program:   |  |  | | --- | --- | |  | ***Planning the Advertising Effort:***   * *Target the audience* by asking and answering: *Who are we selling this to?* * *Specify the objectives* of the advertising effort.  Make sure the objectives are clear. Note the Hierarchy of Effects * *Select the advertising budget* - and determine how to create the budget.   + Budgets can be based on a % of sales, competitive parity, All You Can Afford to Spend or Objective and Task * *Create the message*, determine the content and how the content should be presented (Appeal) * *Select the right media* - media choice is key to effective advertising   + Be aware of terms such as *reach, rating, frequency, gross rating points* and *cost-per-thousand*   + Also be aware of the different types of media as well as advantages and disadvantages of the different media types |  |  |  | | --- | --- | | **TERM** | **WHAT IT MEANS** | | ***Reach*** | The number of different people or households exposed to an advertisement | | ***Rating*** | The percentage of households in a market that are tuned to a particular TV show or radio station | | ***Frequency*** | The average number of times an individual is exposed to an advertisement | | ***Gross rating points (GRPs)*** | Reach (expressed as a percentage of the total market) multiplied by the frequency | | ***Cost per thousand (CPM)*** | The cost of advertising divided by the number of thousands of individuals or households that are exposed. |   **Advantages and Disadvantages of Major Advertising Media**   |  |  |  | | --- | --- | --- | | **Medium** | **Advantages** | **Disadvantages** | | ***Television*** | Reaches extremely large audience; uses picture, print, sound, and motion for effect; can target specific audiences. | High cost to prepare and run ads; short exposure time and perishable message; difficult to convey complex information. | | ***Radio*** | Low cost; can target specific local audiences; ads can be placed quickly; can use sound, humour, and intimacy effectively. | No visual element; short exposure time and perishable message; difficult to convey complex information. | | ***Magazines*** | Can target specific audiences; high-quality color; long life of ad; ads can be clipped and saved; can convey complex information | Long time needed to place ad; relatively high cost; competes for attention with other magazine features. | | ***Newspapers*** | Excellent coverage of local markets; ads can be placed and changed quickly; ads can be saved; quick consumer response; low cost. | Ads compete for attention with other newspaper features; short life span; poor colour. | | ***Internet*** | Video and audio capabilities; animation can capture attention; ads can be interactive and link to advertiser. | Animation and interactivity require large files and more time to "load".  Effectiveness is still uncertain. | | ***Outdoor*** | Low cost; local market focus; high visibility; opportunity for repeat exposures. | Message must be short and simple; low selectivity of audience; criticized as a traffic hazzard. | | ***Direct Mail*** | High selectivity of audience; can contain complex information and personalized messages; high-quality graphics. | High cost per contact; poor image (junk mail). |      |  |  | | --- | --- | |  | ***Internet Marketing***  Terry O'Reilly is as an award-winning copywriter for Campbell-Ewald, Doyle Dane Bernbach and Chiat/Day. Terry co-founded Pirate Radio & Television in 1990 and produces a weekly radio show about Marketing & Advertising. You can find links to the show at:  <http://www.terryoreilly.ca/index>  <http://www.cbc.ca/ageofpersuasion/archives/> | |

MR2100 Marketing II - Unit 10.  Promotion Element of the Marketing Mix - Continued -    Developing an Advertising Program - Stage 2

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| **Developing an Advertising Program - Stage 2** |
| |  |  | | --- | --- | |  | ***Implementing the Advertising Plan***   * Prior to launching the advertising campaign, you need to pre-test the ads.  This is done using a variety of tests including   + *Portfolio tests* - the ad is placed in a portfolio along with other ads and stories and consumers are asked to read through the portfolio.  Afterwards they are asked for their impressions of the ads.   + *Jury tests* - these tests involve showing the ad copy to a panel of consumers and then they are asked to rate the ad.   + *Theatre tests* - consumers are invited to view new television shows or movies with test commercials shown as well.  Viewers register their feelings about the ads either by an electronic voting device or on questionnaires afterwards | |

MR2100 Marketing II - Unit 10.  Promotion Element of the Marketing Mix - Continued -    Developing an Advertising Program - Stage 3

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| **Developing an Advertising Program - Stage 3** |
| |  |  | | --- | --- | |  | ***Evaluating the Advertising Program and Implementation and the Overall Effect on Sales***   * Once the campaign is underway, post-testing must be done to evaluate the effectiveness of the effort. * Numerous post tests can be done including:   + *Aided recall* (recognition-readership) - consumers are shown an ad and then asked about their previous exposure to it.   + *Unaided recall* - consumers are asked a series of questions about an ad without prompting them to see if they'd seen or heard it.   + *Attitude tests* - respondents are asked questions to find out their attitudes about an advertising campaign   + *Inquiry tests* - additional information is offered through the ads but consumes have to inquire about it. The ads that generate the most inquiries are considered effective.   + *Sales tests* - this involves a controlled experiment where a particular ad in one market while another similar market may have a different ad (radio vs newspapers for example).  The resulting sales show which ad is more effective. * The results of the post-testing may mean changes in the advertising program. | |

MR2100 Marketing II - Unit 10.  Promotion Element of the Marketing Mix - Continued -    Sales

Promotion

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| **Sales Promotion** |
| **Consumer-Oriented Sales Promotions**  These include:   |  |  |  |  | | --- | --- | --- | --- | | **Kind of Sales Promotion** | **Objectives** | **Advantages** | **Disadvantages** | | ***Coupons*** | Stimulate demand | Encourage retailer support | Consumers delay purchase | | ***Deals*** | Increase trail; retaliate against competitor's actions | Reduce consumer risk | Consumers delay purchases; reduce perceived product value | | ***Premiums*** | Build goodwill | Consumers like free or reduced-price merchandise | Consumers buy for premium, not product | | ***Contests*** | Increase consumer purchases; build business inventory | Encourage consumer involvement with product | Require creative or analytical thinking | | ***Sweepstakes*** | Encourage present customers to buy more; minimize brand switching | Get customer to use product and store more often. | Sales drop after sweepstakes | | ***Samples*** | Encourage new product trial | Low risk for consumer | High cost for company | | ***Continuity programs (frequent user promos)*** | Encourage repeat purchases | Help create loyalty | High cost for company | | ***Point-of-purchase displays*** | Increase product trial; provide in-store support for other promotions | Provide good product | Hard to get retailer to allocate high-traffic space. | | ***Rebates*** | Encourage customer to purchase; stop sales decline | Effective at stimulating demand | Easily copied; steal sales from future; reduce perceived product value | | ***Product placement*** | Introduce new products; demonstrate product use | Positive message in a non-commercial setting | Little control over presentation of product. |   **Trade-Oriented Sales Promotions**   |  |  | | --- | --- | | ***Allowances and Discounts*** | There are a number of different kinds:   * Reimbursing a retailer for extra in-store support or special featuring the brand called a *Merchandise Allowance*. Usually specified in a trade contract. * A *Case Allowance* is a discount on each case ordered in a specified time period. * *Finance Allowance* involves paying retailers for financing costs or financial losses. * *Freight allowances* also common. This pays retailers for transport orders from the manufacturer's warehouse. | | ***Co-operative Advertising*** | Resellers often promote the manufacturer's product.  These programs are often paid in part by the manufacturer to help the retailer to advertise in this local market. | | ***Training of Sales Force*** | The manufacturer helps train the retailer's or wholesaler's sales force to help increase sales. Training activities include producing manuals, brochures as well as incentive programs to help increase sales. | |

MR2100 Marketing II - Unit 10.  Promotion Element of the Marketing Mix - Continued -    Public Relations

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| **Public Relations** |
| Public relations hopes to positively influence the perceptions of potential customers towards the organization.  Organizations do not directly pay for public relations.  Unlike paid advertising, organizations exercise limited control over public relations efforts.  Some frequently used publicity tools:   * News releases * News conferences * Press kits * Informational documents * Web sites * Special events sponsorship * Public service activities * Promotional materials  |  |  | | --- | --- | |  | For more information on Public Relations, review the article on the sites below:  <http://www.tutor2u.net/business/marketing/promotion_public_relations.asp>  The main page of the site above has many different articles on most of the subjects covered in this course.  <http://www.tutor2u.net/sub_marketing.asp> | |

Promotion Element of the Marketing Mix - Continued -    Unit 10 Video Case

